

Message Text

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TAGS: BEXP KS

SUBJ: SSANG YONG CEMENT EXPANSION

REF: A. SEOUL 3346 B. STATE 169235 C. SEOUL 5743

1. BEGIN SUMMARY: THE SSANG YONG CEMENT MACHINERY PURCHASE APPEARS TO BE LOST TO JAPANESE, BUT EMBASSY REPRESENTATION APPEARS TO HAVE INFLUENCED PURCHASE OF ANCILLARY EQUIPMENT FROM US SUPPLIERS. END SUMMARY.

2. COMMERCIAL CONSELOR VISITED SAANG YONG EXECUTIVE DIRECTOR LEE, SUN WAN ON OCT 15 TO DISCUSS ROKG-APPROVED CREDIT TO SSANG YONG FOR PURCHASE OF RELATIVELY EXPENSIVE JAPANESE EQUIPMENT FOR CEMENT PLANT EXPANSION. SINCE ROKG ECONOMIC OFFICIALS HAVE STATED THAT PREFERENCE WILL BE GIVEN TO US EQUIPMENT WHENEVER IT IS COMPETITIVE WITH JAPANESE, AND LEE HIMSELF HAD INDICATED TO EMBASSY HE WAS INTERESTED IN US EQUIPMENT, WE WERE ANXIOUS TO OBTAIN LEE'S EXPLANATION OF WHAT HAPPENED.

3. IN RESPONSE TO QUESTION AS TO WHERE US HAD FAILED IN EFFORT TO OBTAIN SOME \$70 MILLION WORTH OF BUSINESS, LEE REPLIED THAT NON COMMERCIAL FACTORS WERE VERY IMPORTANT IN THIS CASE. LEE SAID JAPANESE GOVERNMENT HAD AGREED

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"AT HIGH LEVEL" TO SUPPORT THIS TRANSACTION ON NEAR

CONCESSIONAL TERMS TO "OFFSET" MITSUI CEMENT PLANT ARRANGEMENT WITH NORTH KOREA. LEE ADDED THAT AS PART OF DEAL GOJ HAD ALSO APPROVED PLAN FOR JAPANESE PURCHASE OF SIGNIFICANT PORTION OF PUTPUT OF EXPANDED PLANT. FURTHERMORE, JAPANESE HAD MANAGED TO TIE IN GOJ CREDIT FOR MUKHO PORT EXPANSION SINCE SSANG YONG IS PRINCIPAL USER OF THAT PORT.

4. APPARENTLY REFLECTING PREVIOUS EMBASSY EXPRESSION OF CONCERN TO ROKG AT APPROVAL OF CREDIT FOR HIGHER PRICED JAPANESE EQUIPMENT, LEE STATED THAT ROKG HAS ESTABLISHED CREDIT APPROVAL CONDITON THAT JAPANESE CEMENT MANUFACTURING EQUIPMENT PRICE BE "COMPETITIVE," WITH US SUPPLIED EQUIPMENT.

5. LEE ADDED THAT SSANG YONG WAS NOW CONSIDERING PURCHASE QUARRY EQUIPMENT FROM US MANUFACTURER AS PART OF EXPANSION PROJECT. ACCORDING TO LEE, THU EQUIPMENT WILL BE A "SUBSTANTIAL AMOUNT" (POTENTILA US SUPPLIER ESTIMATES AROUND US \$10 MILLION). FURTHERMORE PURCHASE FROM US WILL BE ON LC BASIS AND WILL BE FINANCED BY JAPANESE EXIMBANK.

6. IN CONCLUSION, LEE STATED THAT SSANG YONG WAS PLANNING FURTHER EXPANSION PROJECT IN NEXT SEVERAL YEARS AND HOPED TO BE ABLE PURCHASE NEEDED EQUIPMENT ON "COMMERCIAL BASIS" WITH US EQUIPMENT FULL CONSIDERATION. MEANWHILE COMPANY WILL BE LOOKING FOR OVER \$50 MILLION WORTH OF SHIPPING TO HANDLE EXPANDED CEMENT EXPORTS AND WOULD BE CHECKING TO SEE WHAT US HAD TO OFFER.

7. COMMENT: AFTER STRING OF SUCCESSES IN SELLING US CEMENT MACHINERY, LOSS OF LARGEST ORDER IS HARD TO ACCEPT. HOWEVER, LEE'S TORY CONFIRMS OUR SUSPICION THAT SSANG YONG DEAL HAS BEEN HEAVILY LARDED WITH JAPANESE CONCESSIONS, MIXED INTO JAPANESE OFFICIAL CREDITS, AND COATED WITH THE POLITICS OF BOARD CHAIRMAN S.K. KIM'S REEMERGENCE AS A MAJOR FORCE IN KOREAN PRIVATE BUSINESS. FORTUNATELY OURCOMPLAINTS AT THE WORKING LEVEL IN THE MINISTRY OF LIMITED OFFICIAL USE

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COMMERCE AND INDUSTRY AND THE ECONOMIC PLANNING BOARD APPEAR TO HAVE BEEN PARTIALLY RESPONSIBLE FOR OPENING UP PART OF THE BUSINESS TO US SUPPLIERS.

8. WE WILL RAISE THIS ISSUE AGAIN AT APPROPRIATELY HIGH LEVELS OF GOVERNMENT. ALTHOUGH IT IS UNLIKELY THAT WE CAN INFLUENCE A CHANGE IN THIS PARTICULAR PROJECT, WE INTEND TO MAKE CLEAR OUR EXPECTATION THAT THE ROKG WILL ADHERE

IN ITS STATED POLICY OF FAVORING US SUPPLIERS WHENEVER
US EQUIPMENT AND SERVICES ARE FOUND TO BE COMPETITIVE
WITH THE JAPANESE.
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